

Accumulated Manufacturer's Purchase Credit (MPC) may be used to satisfy a manufacturer's or graphic arts producer's State Use Tax or Service Use Tax liability on the purchase of production related tangible personal property. See 86 Ill. Adm. Code 130.331. (This is a GIL.)

December 15, 1998

Dear Mr. Xxxxx

This letter is in response to your letter dated October 26, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We are requesting that you review the Department of Revenue's denial of our request for waiver of the prepaid sales tax quarter-monthly filing requirement.

As it outlined in the attached letter, we manufacture material handling equipment and the largest percentage of our sales are for resale or out-of-state. The only Illinois customer we have who generates any large amount of tax is COMPANY, and they have been using MPC credit for some of their orders. Regardless of this, there are times when months go by without any tax being generated except for some small Use Tax amounts.

We feel it makes more sense and is much easier for us to be on the regular monthly filing.

Thank you.

Section 3 of the Retailers' Occupation Tax (35 ILCS 120/3 (1996 State Bar Edition)) states that persons may stop using the quarter monthly filing schedule under only two circumstances. The first situation is when the taxpayer's average monthly liability to the Department during the preceding 4 complete calendar quarters (excluding the month of highest liability and the month of lowest liability) is less than \$9,000.00, or when the taxpayer's average monthly liability for each calendar quarter of the 4 preceding complete calendar quarter periods is less than \$10,000. From the limited information presented to us, it does not appear that you meet either of these tests.

The other circumstance that allows quarter monthly filers to change their filing schedule occurs when the taxpayer can show the Department that a "substantial change" in his business has occurred which causes him to anticipate that his average monthly tax liability for the reasonably foreseeable future will fall below \$10,000. If this change is seasonal, or is not likely to be long-term, the Department must deny the request. We cannot conclude, from the information contained in your letter, that a "substantial change" has occurred in your business.

Accumulated Manufacturer's Purchase Credit (MPC) may be used to satisfy a manufacturer's or graphic arts producer's State Use Tax or Service Use Tax liability on the purchase of production related tangible personal property. Please note that this credit can be applied only to the 6.25% State rate of tax incurred. At the time of such a purchase of production related tangible personal property from a retailer or serviceman, a manufacturer or graphic arts producer must decide whether to satisfy his or her State Use Tax or Service Use Tax liability through the use of accumulated MPC or instead pay his or her State Use Tax or Service Use Tax liability on that purchase. See, 86 Ill. Adm. Code 130.331, enclosed.

The Department has determined that your monthly tax liability is greater than \$10,000 per month. The use of manufacturer's purchase credit to satisfy this liability is the same as paying cash. Manufacturer's purchase credit is a method of payment, it does not reduce the tax liability or make purchases exempt from taxation. Manufacturer's purchase credit is not a factor when the Department determines an entities tax liability for quarter monthly payment status. Please note that manufacturer's purchase credit may be used for the payment of quarter monthly payments.

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

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Enc.